

**Physical Evaluation Summary
and Associated Cost Estimates**

**Long Beach City Hall East
100 South Long Beach Boulevard
Long Beach, California**

**Prepared for City of Long Beach
Department of Community Development**

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EXECUTIVE SUMMARY

Griffin Advisors has been retained by the City of Long Beach Department of Community Development to perform a physical assessment evaluation of the City's office building located at 100 South Long Beach Boulevard in the City of Long Beach, California. The purpose is to review the physical characteristics of this facility, its architecture, ADA (Americans with Disabilities Act) access/compliance, structural, plumbing, fire protection, HVAC and electrical systems as well as potential building renovation scenarios.

We have identified three (3) appropriate scenarios for consideration in renovating the building. The first is the "Baseline" renovation which addresses work that is mandatory or required to be performed to the building Core & Shell. The "Class B" renovation scenario is a second option that includes improvements necessary to raise the building's systems to the level of a Class "B" office building. The "Long Term Investment" renovation scenario is a third option that raises the building's systems to a level of a Class "A" office building. The ultimate determination/selection of a preferred scenario will be budget-driven based upon the outcome of a financial analysis of third-party space the City currently leases in offsite location(s) that could potentially be relocated to this facility.

We have engaged the following Professional Consultants to assist in this effort:

- **Architectural:** LPA
- **Structural:** The Nakaki Bashaw Group
- **Plumbing/HVAC and Fire Protection:** Tsuchiyama Kaino Sun & Carter
- **Electrical:** Konsortum1
- **Cost Estimating:** Howard S. Wright Construction Company

The building is a 10-story, steel-framed office building with a basement consisting of approximately 141,540 gross square feet and an eight-level, 149 space parking structure. In addition, in order to provide the required parking for the building there is a 152 space surface parking lot at Broadway and Elm.

The building was built circa 1959 and was initially occupied by Southern California Edison. After being acquired by the City of Long Beach, the City's Police Department has been a tenant (on a temporary basis) since 1st Quarter, 2002. The previous and current uses have been office and administration and the following evaluations and associated budget estimates are predicated on this use being maintained.

A key assumption is that the proposed future uses will not require that the building be upgraded to meet the requirements of an "Essential Services Building". These facilities typically house emergency services providers including police, emergency operations centers or emergency communications dispatch centers.

Architectural

Our review of this facility concludes that it is in overall "fair" condition as it has been well maintained over its approximate 44 year life span.

The majority of the Core & Shell work required to be performed under the "Baseline" scenario are improvements required to bring the building into ADA compliance. These ADA work items mainly consist of elevator, door, walkway and stair improvements as detailed in following Architectural Report. In addition due to the difficulty of reconfiguring the restrooms (ie the requirement to remove one stall in order to provide a larger handicapped-stall) and the inability to match the existing terrazzo wainscoat on the walls, new restrooms have been included in this scenario as well.

The "Class B" scenario includes all of the above work in addition to the necessary replacement of elevator equipment, upgrade of elevator cabs, entry door replacement and new lobbies.

The "Long Term Investment" scenario assumes a completely new Core & Shell with the building's structure being the only system retained. It provides for all new core elements, a new skin and a new roof essentially providing for a Class "A" office building.

Parking is currently provided for in two separate locations: an eight level 149 car (all "standard" stalls, no compact) parking structure and a 152 space surface lot at Broadway and Elm totaling 301 parking spaces. Although the stalls in the parking structure do not meet the current parking guidelines precisely (for size and clearances), the "intent" is satisfied with no real hardships observed. The required parking for the proposed use/occupancy per Long Beach Zoning Regulations is 288 cars and therefore the requirement is satisfied by the combination of the two facilities.

Structural

The original Structural Plans by Bale and Wilson as well as the Seismic Upgrade Plans by A.C. Martin & Assoc. were reviewed in conjunction with a site visit. There were no specific structural analyses performed at this time.

The structural system is a steel frame with concrete over metal decking for floors and a conventional spread footing foundation system. The lateral system is a series of swing frames in both directions consisting of built-up truss girders (riveted connections) in addition to a concrete shear wall on the north elevation. In 1990 a seismic strengthening retrofit was undertaken consisting of a series of assed concrete shear walls and strengthening of sway frames (welding).

For both the "Baseline" and "Class B" scenarios, since there is no change in the building's proposed use, there is no work required by Code or recommended. For the "Long-Term Investment" Scenario, there is also no work required, but it is recommended that the new Post-Northridge Earthquake (1994) design standards be implemented. This would likely consist of additional concrete shear walls, additional steel bracing and strengthening and modification of the existing sway frames.

HVAC/Plumbing/Fire Protection

HVAC

The chilled and hot water central plant is approximately 43 years old and beyond its' useful service life per ASHRAE standards (American Society of Heating, Refrigeration and Air-Conditioning Engineers)

The "Baseline" scenario includes testing and repair of malfunctioning equipment, cleaning all ductwork and interior surfaces of air-handling units and providing for a smoke control (life-safety) system (as required per Code for this building's classification as "hi-rise")

The "Class B" scenario provides for the replacement of all malfunctioning equipment, cleaning all ductwork and interior surfaces in air-handling units and providing for a smoke control system.

The "Long-Term Investment" scenario provides for an all new system (central plant) with Direct Digital Controls (for energy management and efficiency) to replace the existing pneumatic controls.

In all three scenarios the Building's Tenant Improvement HVAC system (distribution ductwork and grills/diffusers) are new.

Plumbing/Fire Protection

The "Baseline" scenario includes new restroom fixtures and upgrading the drinking fountains to meet ADA requirements. The equipment (pumps and water heaters) would be tested and repaired accordingly.

The "Class B" scenario includes all of the above "Baseline" work as well as the replacement of all iron water pipe with copper and replacement of malfunctioning pumps and water heaters.

The "Long-Term Investment" scenario provides for an entirely new plumbing system and the replacement of the electric water heaters with a natural gas-fired hot water system.

Currently the building is not fire sprinkled with the Fire Protection system consisting of dry standpipes in each of the two stairwells with hose connections on each floor. Fire sprinklers exist only in the basement and the parking structure. A Code-required fire sprinkler system would be provided in all three scenarios.

Electrical

The "Baseline" scenario involves the installation of a main service (5000 amp) disconnect breaker that has been modified and or removed and the replacement of the building's subpanels. The loads on the various transformers and panels should be measured to ensure that they are not overloaded. New lighting fixtures are provided in the restrooms and all lobby lamps (bulbs) are replaced with energy efficient lamps.

The "Class B" scenario includes all work above and the installation of a new 120/208 volt distribution system, an emergency generator, a new fire alarm system and a new energy-efficient fluorescent lighting system.

The "Long-Term Investment" scenario is an entirely new electrical system including energy efficient lighting and controls for the building as well as the parking structure.

In all three scenarios, the building electrical tenant improvements (lighting, power, signal and data including switches and outlets) are new.

Cost Estimates

The Cost Estimates include all hard and soft costs required to complete the associated building renovation project (scenario). The estimates utilize a tenant improvement allowance of \$40/sf applied to a

net area of 105,420 sf. This assumes a "core factor" (are associated with stairs, shafts, circulation, m/e closets and restrooms) of 15%. The Cost estimates also include (for all three scenarios) an asbestos abatement allowance of \$1,291,400 or approx. \$10/sf to remove and abate the asbestos fire-proofing and other misc. materials.

- "Baseline" scenario Concept Budget Estimate = \$13,285,507 or \$94/gross sf.
- "Class B" scenario Concept Budget Estimate = \$16,523,642 or \$117/gross sf.
- "Long-Term Investment" scenario Concept Budget Estimate = \$27,131,323 or \$192/gross sf.

These are conceptual budget estimates only and are estimated without the production of any design and are to be utilized for the basis of evaluating alternatives. Upon selection of a preferred scenario, the budget(s) will be refined accordingly as the design progresses and scope is more clearly defined.

Market Analysis

Artist Studio Market

Overall, the Los Angeles market for accessible quality art studio spaces is strong. The market will support rent of \$1.25 per square foot per month for full-service space in a downtown location.

- Currently Long Beach artists pay \$0.77 per square foot for work-only studio space. Forty-nine percent of surveyed artists would consider paying an average of \$0.90/SF for space in the Art Exchange.
- The typical Los Angeles artist actively seeking space is offering \$1.50/SF for a 350 square foot work studio.
- Long Beach art studios are currently on the market for \$0.87/SF per month triple-net, while studio space in other areas of Los Angeles ranges from \$0.92 to \$1.86/SF. Smaller art studios of 200 to 500 square feet, such as those envisioned for the Art Exchange, rent for \$1.48/SF per month in the Los Angeles area.
- Comparable art centers around the country rent studio space for between \$1 and \$1.25 per square foot per month have zero vacancy, very low turnover, and a waiting list of one to ten years.

Event Market

The event and meeting market in Long Beach is good. The Art Exchange will primarily attract local weddings, social events, and some business events of 200-to 250 people who want an interesting event venue. Once established, the facility should attract from five to seven events per month at a rental rate of \$2,500 to \$3,000 per event.

- Eight interviewed event planners indicated that the Art Exchange would be attractive for weddings, business parties, and social parties. Event planners felt that the space would rent well for between \$2,500 and \$3,000 per event, with most events occurring on Friday and Saturday nights and Sunday day.
- Downtown Long Beach hotels charge between \$2,000 and \$3,000 per event for comparable space. Hotel occupancy rates of comparable event space range from 50 to 60 percent with an average of 55 percent. Nontraditional event venues charge slightly more (\$4,000) for a slightly larger space (3,400 square feet). However, occupancy ranges from ten to 100 percent depending on the venue's desirability.

Art Education Market

The Long Beach community has sufficient demand for the Art Exchange to offer at least 100 art courses per year, serving roughly 1,500 students and generating approximately \$450,000 in gross revenue.

Gallery Market

The East Village has a number of low-performing art galleries, and at least initially, this gallery is unlikely to generate more than a modest \$40 per square foot in total sales per year. In comparable art facilities, galleries do not generate significant income, though they play an important role in attracting visitors.

Development Program

MJC modified StudioOneEleven conceptual plans to reflect the market analysis and defined a development program for two distinct Art Exchange facility configurations: a three-story 40,000 square foot facility, and a four-story 52,000 square foot facility.

- The three-story development program contains 45 artist studios, three fine art classrooms, an art gallery, a hot glass shop, an industrial workshop, a ceramics studio, an event venue and re-heat kitchen, four administrative offices, three pair of bathrooms, freight and public elevators, storage areas, and a loading dock. With an administrative use permit this facility would require roughly 126 parking spaces and without such a permit it would require 200 spaces.
- The four-story development program encompasses 66 artist studios, six fine arts classrooms, an art gallery, a hot glass shop, an industrial workshop, a ceramics studio, an event venue and re-heat kitchen, five administrative offices, four pair of bathrooms, freight and public elevators, storage areas, and a loading dock. This facility would ideally require 205 parking spaces (with an administrative use permit) but may require as many as 279 spaces.

Development Cost

Total development cost for the Art Exchange, including site acquisition, hard construction costs, soft costs and healthy contingencies amount to \$11.4 million for the large facility and \$9.8 million for the smaller facility. The parking garage adds an additional \$4.6 million in cost to that larger facility and \$3.2 million to the smaller facility.

Feasibility

Based upon MJC research and analysis set forth in this study there is satisfactory market support for both Art Exchange development scenarios. Based upon standard assumptions, the project development proformas demonstrate that the Art Exchange facility is financially feasible with financing through tax-exempt bonds from the State of California's State Infrastructure Development Bank. These low-interest nonprofit bonds are available to any Californian nonprofit and have been widely used to finance an array of facilities. To obtain financing through the state bonding mechanism, the new nonprofit operating entity (the Art Exchange) would require a loan guarantee from the City of Long Beach or other entity. The bond would be paid back by income generated from studio rentals, events, and parking fees. The total bond amount that would be supported by rents is \$11 million for the large project and \$8.7 million for the smaller alternative.¹ The smaller project will require a \$4.3 million capital campaign while the larger project will require a \$5 million capital campaign. Based on this financing and funding scenario, the project would operate in the black with a growing surplus over time.

Additionally, as the parking facility of the project would be shared between the Art Exchange and developer(s) of the remainder of the block, the developer(s) could contribute half the development cost of the parking garage to the Art Exchange as an equity donation. This would allow the Art Exchange to take advantage of its favorable financing for garage construction and would reduce the total amount of the Art

¹ The bonding scenario includes a 2 percent below-prime fixed-rate thirty-year bond for the non-profit occupied portion of the facility (40%) and a 6 percent thirty-year fixed-rate commercial bond for the artist occupied portion (60%) of the building.

Exchange capital campaign by \$1.5 million for the small facility and \$2.3 million for the larger facility.

Alternatively, if the project is financed with a conventional mortgage at 7 percent with a twenty-year term, project income will support much less debt. Consequently, the large alternative would require an \$11 million capital campaign, while the smaller alternative would require a \$7.6 million capital campaign. Such significant capital campaigns would present a challenge to the project.

Shared Parking & Development of the Remainder of the Block

Development of the entire block of the proposed location for the Art Exchange offers a unique opportunity to revision and improve the urban fabric of the East Village. Development on the remainder of the block should:

- Activate Broadway Street between Elm and Long Beach Boulevard with interesting complementary retail and restaurant venues to improve pedestrian-friendly connections between the East Village and Pine Avenue.
- Include retail uses that encourage and support arts and arts activities. The existing camera shop and bookstore already achieve this end.
- Give preference to live-work lofts that serve artists and other “creatives,” as they are a strong complementary use. Currently, Long Beach has relatively few urban loft developments, though demand for this type of space has grown steadily among young and middle-aged single urban professionals and artists.
- Mixed-use activities should complete the remainder of the block, specifically, combinations of first-floor retail with housing and/or office above.

The envisioned parking structure, located in the center of the block, could serve the Art Exchange, live-work, and mixed-use developments on the block, as these uses will largely occupy the parking structure during non-competitive time periods.

Developers of the remainder of the block should support the concept of shared parking on the site as it will significantly reduce their overall development costs. Indeed, developers of the remainder of the block should contribute at least half of the development cost for the parking structure as well as half of the ongoing operating costs.

The developer(s) could contribute half the development cost of the parking garage to the Art Exchange as an equity donation. This would allow the Art Exchange to take advantage of favorable financing for the parking garage and would reduce the amount of the Art Exchange capital campaign by \$1.5 million for the small facility and \$2.3 million for the larger facility.

Operation Recommendations

MJC interviewed executive directors of comparable art centers to collect recommendations and lessons learned from similar facilities. Among the more salient points:

- The Art Exchange should own, manage, and operate all programs and the building under one nonprofit organization to ensure affordable rents and a quality arts

education program. However, as a nonprofit, the center should be managed like a business to create profit for reinvestment in the organization. Specifically, the center should be managed by professional staff to ensure business growth and quality programming. A diverse board of directors should include representatives from city government, the Redevelopment Agency, the real estate/development industry, the East Village Association, the chamber of commerce, and the Long Beach arts and education communities.

- Art Exchange staff should work collaboratively with neighborhood residents, merchants, and city government to ensure that the center realizes and publicizes its benefits to the East Village and the City of Long Beach.
- Tenant artists should be selected through a professional juried process, and selected artists should be re-juried on a three-year cycle to make certain that studios are actively used. The Art Exchange should set a minimum number of hours per year for each studio to be actively in use. Active use is essential to increased tourist traffic and to the fulfillment of the project's economic development benefits.
- The Art Exchange should offer quality, accessible, hands-on art classes that serve the Long Beach market. All art instructors should have teaching experience.

Next Steps

Key next steps include:

- Form or select an existing 501(c)(3) to own and operate the building. Recruit a diverse board of directors to assist with the development and management of the building. For the development phase, the board should specifically include experts in development, financing, and facilities management.
- Seek initial equity and gain site control, for without site control few philanthropists or foundations will contribute to the capital campaign.
- Pursue additional funding to support further predevelopment activities, such as a capital campaign feasibility study and project staffing.
- Obtain necessary entitlements (zoning variances, permits, etc.).
- Initiate the capital campaign.
- Undertake design and engineering activities.
- Obtain project financing and a loan guarantee.
- Undertake construction of the facility.
- Occupy the building and initiate facility programs.

Potential Sources of Funding

Many potential funding sources are available to help bridge the financial feasibility gap for the Art Exchange. Examples of sources identified through research for this report include:

State Programs

- The State Infrastructure Bank originates state-sponsored bond financing for nonprofit organizations, typically at 2 percent below prime for a fifteen- to thirty-year term. Bonds can finance 20 to 100 percent of project costs of more than \$2,000,000. There is no upper limit on the bond amount.

Local Programs

- Redevelopment Tax Increment: Redevelopment Agency tax increment collection powers can be used to issue bonds or provide a bond guarantee.
- Local Initiatives Support Corporation (LISC) provides debt financing and loan guarantees to nonprofit facilities.

Foundations

- The Kresge Foundation provides grants of \$150,000 to \$2 million for art facility projects.
- The Ford Foundation provides grants of \$100,000 to \$500,000 for art-related capital projects.

Conclusion

Development of the Art Exchange offers a unique opportunity to stimulate economic activity in the East Village and improve connections between the East Village and downtown Long Beach. To the extent that the Art Exchange attracts daily visitors, it will also benefit revitalization of the surrounding blocks within the East Village.

Current market conditions are good for this facility at the proposed location. Creative use of tax increment financing, low-interest bonds and other forms of financing will help to ensure a financially self-supporting facility.

The Art Exchange offers a unique opportunity to create a focal point for Long Beach's cultural and artistic strengths. As a catalyst economic development project for the East Village, the Art Exchange would fulfill many City goals for the East Village.